

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: Banking and Insurance Committee

BILL: SB 2428

INTRODUCER: Senator Fasano

SUBJECT: Small Business Health Care Insurance

DATE: April 10, 2006

REVISED: 04/20/06

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Johnson</u>	<u>Deffenbaugh</u>	<u>BI</u>	<u>Fav/1 amendment</u>
2.	<u> </u>	<u> </u>	<u>HE</u>	<u> </u>
3.	<u> </u>	<u> </u>	<u>HA</u>	<u> </u>
4.	<u> </u>	<u> </u>	<u>WM</u>	<u> </u>
5.	<u> </u>	<u> </u>	<u> </u>	<u> </u>
6.	<u> </u>	<u> </u>	<u> </u>	<u> </u>

I. Summary:

The bill creates the Small Business Health Care Insurance Assistance Pilot Program as a statewide pilot program, which would be administered by the Agency for Health Care Administration (AHCA). The program is designed to encourage small businesses with more than one and fewer than six employees to provide comprehensive major medical health insurance for employees.

The program will offer a one-time rebate of \$1,000 per covered employee, while requiring both employers and employees to contribute to the cost of the policies. Employers must pay at least 50 percent, but less than 100 percent, of the cost of coverage, and employees are required to share in the remainder of the costs. The bill specifies that a business is eligible for the rebate if, at the time of applying, the business had provided and paid for such coverage for 12 consecutive months but had not previously provided such coverage for at least 6 months prior to the 12-month period. The bill specifies that the program will be funded by general revenue in the amount of \$15 million for a period of 2 years.

This bill creates an undesignated section of the Florida Statutes.

II. Present Situation:

Characteristics of the Uninsured and Coverage Issues

An estimated 19.9 percent of Florida residents are uninsured based on 2004 U.S. Census data.¹ In contrast, the average uninsured rate for the United States is 15.7 percent for the same period.

¹ U.S. Census Bureau, Health Insurance Coverage Status and Type of Coverage by State, All People: 1987-2004.

Approximately, 53.1 percent of the insured persons in Florida are covered by employment-based coverage.²

The 2004 Florida Health Insurance Study³ (study) evaluated levels of insurance coverage based on both employment status of the individual and the number of employees. In companies with four or fewer employees, 36.3 percent of workers are uninsured; in companies with five to nine employees, 35.2 percent of workers are uninsured; in companies with 10 to 24 employees, 31.8 percent are uninsured; and in companies with 25 to 49 employees, 22.7 percent are uninsured.

The study noted that the reasons for being uninsured varied among employees. Approximately 69 percent report that the employer does not offer insurance. For 13.6 percent, the employer offers insurance but the employee is ineligible for coverage; for 12.7 percent, the employer offers insurance but the cost sharing for the employee is too high; and 4.5 percent of uninsured employees declined for other reasons. Finally, 32 percent of self-employed workers are uninsured.

The Medical Expenditure Panel Survey is conducted annually by the federal Agency for Healthcare Research and Quality and evaluates the price of insurance coverage across the states. According to the 2000 employer-sponsored health insurance data, Florida was rated the seventh most expensive state in the average insurance premiums that small businesses pay for family coverage.⁴

Small Groups Health Insurance Reforms in Florida

The Office of Insurance Regulation is responsible for the regulation of rates and forms. Most states, including Florida, enacted health insurance reforms during the 1990's to guarantee access to coverage for certain categories of persons, including small groups (50 or fewer employees). Since 1993, Florida law has required insurers to provide guaranteed-issue coverage to all small employers with 50 or fewer employees.⁵

In 2004, the Legislature enacted "The 2004 Affordable Health Care for Floridians Act," which contained provisions that were designed to address the underlying cause of the double-digit increase in health insurance premiums by mitigating the overall growth in health care costs.⁶ The act also included the following provisions to improve the availability of affordable health insurance:

- Requires small group carriers (small group has 50 or fewer employees) to offer a high deductible plan that meets the federal requirements of a health savings account plan or health reimbursement arrangement.

² Ibid.

³ Agency for Health Care Administration; 2004 Florida Health Insurance Study; available at: http://ahca.myflorida.com/Medicaid/quality_management/mrp/Projects/fhis2004/; viewed April 2, 2006.

⁴ U.S. Department of Health & Human Services; Agency for Healthcare Research and Quality; The Medical Expenditure Panel Survey; available at: <http://www.meps.ahrq.gov/>; viewed April 2, 2006.

⁵ Section 627.6699, F.S.

⁶ Ch. 2004-297, L.O.F.

- Requires health insurers and health maintenance organizations to provide for a rebate of premiums when the majority of the members of a health plan have maintained participation in a wellness program.
- Reduces from 5 to 4 percent the maximum aggregate increased premiums that may be charged to all policyholders by a small group carrier, over a 6-month period, due to the application of health-related factors.

III. Effect of Proposed Changes:

Section 1 establishes the Small Business Health Care Insurance Pilot Program as a two-year program to provide a one-time rebate for employers that have more than one and fewer than six employees and provide major medical health insurance for such employees under the small group provisions of s. 627.6699, F.S. The employer is required to pay at least 50 percent but less than 100 percent of the cost of such coverage, and the employees are required to share in the remainder of the cost of coverage.

The rebate is limited to \$1,000 per employee, (up to five employees) as reported on the employer's unemployment compensation tax form. A business is eligible for the rebate if, at the time of application, the business provided and paid for such coverage for 12 consecutive months but had not provided such coverage for at least 6 months prior to that 12-month period.

The pilot program is funded by general revenue and is administered by the Agency for Health Care Administration. The AHCA is authorized to adopt rules to administer the program and enforce compliance with the requirements of the program. The AHCA is authorized to conduct audits of any business applying for rebates under the program to ensure compliance with program requirements.

Section 2 provides that this act will take effect on July 1, 2006.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

The bill will assist small businesses in providing insurance coverage by authorizing a one-time, \$1,000 per employee rebate to employers with one to five employees that meet the eligibility requirements.

Contingent upon the number of eligible employers who participate in the program, the number of uninsured patients who rely on emergency room visits as their primary source for health care could be reduced. According to the AHCA, uncompensated care in Florida's hospitals totaled more than \$4.3 billion in 2001 and is growing at the rate of 12-13 percent per year.⁷

According to the Agency for Workforce Innovation, as of the second quarter of 2005, there were 268,303 companies employing between 1 and 5 employees. The number of employers providing coverage for the preceding 12 months and meeting other criteria specified by the bill is indeterminate at this time.

C. Government Sector Impact:

The bill requires the \$15 million pilot program to be funded by the General Revenue Fund. The pilot program will exist for a two-year period.

The bill requires the Agency for Health Care Administration to review and approve applications from eligible employers, verify the information submitted by the employers, develop rules to implement the program, set up a payment system, and perform audits as needed. The total number of applications submitted and to be reviewed by the AHCA is not known. The following fiscal impact is based on information submitted by the AHCA.

Assuming that an equal number of employers in each eligible small business group with two, three, four, or five employees apply for the subsidy, the AHCA would review about 1,100 applications from each of the four groups, or 4,400 applications. The number of applications that can be approved will be higher if most of the applications are submitted by employers with two or three employees. The review of these applications should be performed by professional staff with experience in insurance coverage and auditing.

Health Quality Assurance (HQA) will need 11 full-time equivalent (FTE) positions in FY 2007-2008, to adopt rules, administer the program and ensure accountability of the pilot program and enforce compliance with the requirements of the program. It is estimated that HQA will receive 4,400 applications. It is estimated that it will take approximately

⁷ Florida Insurance Council; "Governor Bush announces creation of Governor's Task Force on Access to Affordable Health Insurance;" available at: <http://www.flains.org/newfic/mediapublic/latebreakingnews/govhealth825.html>; viewed April 2, 2006.

four hours review time per application for a total of 17,600 hours. Based on the staffing standard of 1,854 hours annually it would require 9 FTEs, pay grade 22, to review 4,400 applications, and 1 full-time equivalent, pay grade 22, to write rules. The AHCA is requesting 1 support staff, pay grade 12, to support the professional positions. This estimate is based on the assumptions that the 4,400 applications are submitted staggered during FY 2007 – 2008. If the 4,400 applications are submitted during the first quarter of 2007, and the AHCA is expected to review these applications within 6 months or less, the number of staff required for 6 months would be significantly higher.

The Division of Administrative Services will require 2 FTEs in FY 2007 for verification, auditing, monitoring, and processing payment to each approved business; mailing and filing of payments made, and handling of inquiries regarding payment status. It is estimated to take an average of 45 minutes for all aspects of processing each application or an estimated total of 3,300 man hours ($.75 \times 4,400 = 3,300$). This would equate to 2 FTEs ($3,300 / 1,854$ hours annually = 1.78 or 2 FTEs).

The AHCA may also have to pay \$5,000 to the Agency of Workforce Innovation for the Florida unemployment compensation tax form.

VI. Technical Deficiencies:

None.

VII. Related Issues:

Although the bill requires the pilot program to be funded by the General Revenue Fund, the bill does not contain a specific appropriation from the General Revenue Fund.

The bill is unclear whether businesses can apply for the rebate only once, or receive the rebate only once. The language currently reads in paragraph (3)(a): “The business may apply only once for the rebate.” If businesses are only allowed to “apply” one time, this would mean a business would be prevented from applying again if they are rejected for the refund on the first attempt. If the intent of the bill is to mean that a business may only “receive” the rebate once, the language should reflect this intent explicitly by stating: the business may receive the rebate one time only.

VIII. Summary of Amendments:

Barcode 470832 by Banking and Insurance:

The amendment clarifies that a small business can receive the insurance coverage rebate only once and provides that the Agency for Health Care Administration would only issue rebates if a specific appropriation is made to the General Appropriations act for the purpose of funding rebates under the pilot program. No funds are appropriated in the bill. (WITH TITLE AMENDMENT)

This Senate staff analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
